Developmental Constraints among Start-up Textile Enterprises

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1　ABSTRACT

The purpose of the study was to identify and quantify factors that affect the development and growth of the textile industry of the City of Tshwane. Data was collected from a stratified random sample of 250 operators of small, micro and medium-sized enterprises (SMMEs) conducting business in the textile industry of the City of Tshwane. The instrument used to collect data was a structured, pre-tested and validated questionnaire of study consisting of a large number of socioeconomic indicators of viability in the textile industry. Face validity was used for ensuring validity. The Cronbach Alpha test was used for ensuring reliability and internal consistency. Viability of textile businesses operating in and around the City of Tshwane was assessed by assessing profitability. The study found that 75.60% of textile businesses were viable, whereas 24.40% of them were not viable. About 98% of businesses paid tax to SARS regularly. About 26% of entrepreneurs had received training from the South African National Department of Trade and Industry (DTI) or the Small Enterprise Development Agency (SEDA) at least once in the past. About 75% of businesses had applied for loans at least once in the past. About 27% of businesses had defaulted on loan repayments in the past. Results obtained from cross-tab analyses showed that the viability of textile businesses was significantly associated with the ability of business operators to make profit, ability to secure loan needed for business, ability to order merchandise in bulk on credit, access to foreign textile products, ability to sustain loan repayment, ability to secure loan from commercial banks, ability to secure loan from micro lenders, lengthy duration of business operation, ability to secure valid trade license, registration of textile business for VAT, South African nationality, and the ability of business operators to conduct business with partners, in a decreasing order of strength. Results obtained from binary logistic regression analysis showed that the viability of textile businesses was significantly influenced by 3 predictor variables. These predictor variables were: ability to make profit, ability to secure loan needed for business operation, and ability to order merchandise in bulk on credit, in a decreasing order of strength.

Key Words : City of Tshwane, Textile industry, Viability, Binary logistic regression analysis.

2　INTRODUCTION AND BACKGROUND OF STUDY

The City of Tshwane is the capital of South Africa. It is home to a vibrant textile industry that creates livelihood and employment opportunities for a sizeable portion of the population of the City. According to Marivate (2014), Khale (2015) and Edoho (2015), the textile industry of Tshwane has lost substantial ground to foreign competitors and producers. As a result, the local textile industry has lost ground to importers and producers from countries such as China, Bangladesh, India, Pakistan and Malaysia. Since April 1994, the South African National Department of Trade and Industry (DTI) has carried out various programmes with a view to resuscitate the local textile industry. This effort has led to insignificant achievements to date. Studies conducted by Seeletse (2012) and Henrekson (2014) indicate that the textile industry of Tshwane experiences shortcomings such as lack of specialized skills, lack of capacity for innovating its mode of production and manufacturing, inflexible labour laws, and lack of support from the South African Government. The local textile industry has been overwhelmed by cheap imports from foreign producers and competitors. According to Edoho (2015), the South African local textile industry needs to be protected from foreign competitors and producers by way of tariffs and quota.

The purpose of the study was to identify and quantify factors that affect the development and growth of the textile industry of the City of Tshwane. Data was collected from a stratified random sample of 250 operators of small, micro and medium-sized enterprises (SMMEs) conducting business in the textile industry of the City by using a structured, pre-tested and validated questionnaire of study consisting of a large number of socioeconomic indicators of viability. Face validity was used for ensuring validity. Business viability of textile businesses operating in and around the City of Tshwane was assessed by assessing profitability.

The study was exploratory, and attempts to explain the current state of the textile industry of Tshwane. According to Khale and Worku (2015), more than half of all newly established SMMEs in Tshwane fail in their first three years of business operation due to a number of reasons. The study conducted by Khale and Worku (2013) indicates that the key barriers to sustained viability in newly established businesses in Tshwane are lack of entrepreneurial skills, lack of access to finance and the absence of mentorship programmes. The study conducted by Karlstrom and Finstad (2013) indicates that the ability to run successful SMMEs in the textile sector requires advanced entrepreneurial and managerial skills. Kellemen (2003) and Kelly & Swindell (2002) have shown that the quality of municipal service delivery is significantly associated with the survival and profitability of newly established SMMEs in all parts of the world. The authors have shown that countries such as South Korea, Japan, Malaysia, Taiwan and Singapore have managed to promote viability in SMMEs by ensuring adequate municipal service delivery at all levels. Hurlbut and Robert (2012) have pointed out that good governance at municipal level is a critical requirement for sustained growth and development in SMMEs. Hood and Dixon (2010) have shown that transparency and accountability at municipal level is an essential requirement for ensuring long term survival in the SMME sector of the economy in all developing nations such as South Africa.

Alexander (2010) has pointed out that the SMME sector is vital for the creation of jobs for the unemployed youth. A study conducted in Malaysia, Amir, Ahmad and Mohamad (2010) shows how significantly efficient municipal service delivery promotes profitability and long term survival in newly established SMMEs. Similar findings have been reported by development economists such as Ashton (2012), Atkinson (2009), Adams & Mehran (2003) and Aguinis & Kraiger (2009). Marivate (2014) has shown that the textile industry of Tshwane has lost substantial ground to foreign competitors and manufactures since the early 1990s. The study was conducted by collecting data from textile business operators conducting business in parts of the City of Tshwane and the surrounding townships. The primary aim of the study was to describe the basic characteristics of textile businesses in Tshwane. The secondary aim of study was to explore factors that undermine sustained growth and development in textile businesses in Tshwane.

As part of the study, empirical data was collected from textile businesses conducting business in Tshwane on factors that are known to affect viability in SMMEs. Several studies have been undertaken on SMMEs in Tshwane. Studies conducted by Seeletse (2012), Rogerson (2010), Shree & Urban (2012), Worku (2013) identify the key barriers to profitability in newly established SMMEs. According to Ladzani and Netswera (2009), although SMMEs are a key creator of jobs for the unemployed youth, about 75% of all newly established SMMEs fail within their first three years of operation. Job creation in the formal sector frequently takes place at a far lower rate than growth in the labour force (Ligthelm & Van Wyk, 2004:1-4). SMMEs are regarded as the major GDP contributors and usually create more jobs quantified at about 60% by Business Partners Limited (Bharadwaj, 2013: 169-196). Countries classified as emerging economies, namely Brazil, Israel, India, Ireland and South Africa have realized that it is essential to support and promote this development of SMMEs as a means of growing the national economy and alleviating unemployment and poverty among the masses. Several studies have pointed out the strategic importance of SMMEs to the national economy and GDP (Adams & Mehran, 2003: 123-142).

The study by Amit and Schoemaker (2013: 33-46) shows that it is essential to provide strategic and operational support to SMMEs as a means of enabling them to survive adverse socioeconomic environments. The authors have found that SMMEs are the building blocks of national economies, and that it is almost impossible to promote industrialization without promoting SMMEs in local and global economies. According to the South African National Department of Trade and Industry (2013: 1-12), the South African Government has a policy of supporting and promoting the SMME sector of the national economy as a means of generating jobs and alleviating poverty among the unemployed youth. The study conducted by Ashton (2012: 23-25) shows that countries such as Japan, China, Malaysia, South Korea, USA and Germany managed to grow their national economies by investing in the SMME sector of their national economies.

The study conducted by Barney (2012: 99-120) shows that there are various socioeconomic factors that affect viability and long-term survival in SMMEs. Examples of such factors are level of skills, access to finance, degree of support from the national government, availability of monitoring and evaluation services, training opportunities, quality of infrastructure, and the presence of an economically enabling environment. In the case of SMMEs in and around the City of Tshwane, these factors are well known to hinder the growth and development of SMMEs. The study by Beetsma, Giuliodori, De Jong and Widijanto (2013: 83-101) has shown that shortage of entrepreneurial skills and lack of access of finance hinder the long-term growth and development of SMMEs in the world's developing countries including South Africa. Industrialization enabled large corporations of the developed world to grow globally on a sustainable basis.

Sustained growth in the SMME sector resulted in employment opportunities in most of the world's developed economies. The growth of SMMEs was closely linked with the growth of national economies and GDPs. SMMEs in South Africa are characterized by shortage of technical and entrepreneurial skills. The study by Barney (2012: 99-120) shows that the presence of an economically enabling environment is a key requirement for the sustained growth of the SMME sector of the economy. The growth of SMMEs depends on economic and administrative policies of national governments. Large corporations often fail due to lack of growth in the SMME sector of the economy. At times of economic downturn, the first victims are SMMEs. The SMME sector is vital for the creation of jobs and for the alleviation of poverty and unemployment in the national economy. The

growth of SMMEs is influenced by macroeconomic policies. For example, labour laws affect the degree to which SMMEs can benefit from cheap labour.

The study conducted by Asah, Fatoki and Rungani (2015) shows that the textile industry of Tshwane has lost ground since April 1994 to foreign competitors from countries such as China, South Korea, Malaysia, Turkey, India, Pakistan, Bangladesh and Vietnam due to lack of entrepreneurial skills, over-regulation and lack of support from the South African Government. The study aims to identify and quantify factors that affect sustained viability and profitability in the textile industry of the Tshwane region of Gauteng Province. In the past two decades, the textile industry of Tshwane has been flooded with foreign textile products, and has been declining due to over-regulation, inefficient tax assessment, lack of entrepreneurial skills, lack of mentorship programmes, and the absence of monitoring and evaluation programmes (Marivate, 2014). Few studies have been conducted to identify the reason why local textile retailers are unable to compete with their foreign competitors. As part of the study, data will be collected from a representative random sample of size 500 small, micro and medium-sized business enterprises (SMMEs) conducting business in the textile industry of the Tshwane region of Gauteng Province. Stratified random sampling will be used for identifying eligible businesses from the five geographical zones of Tshwane. Quantitative methods of data collection and analyses were used in the study. The study was exploratory in nature. Emphasis was placed on the identification of barriers to sustained growth and development in the textile industry of Tshwane.

The design of study was descriptive and cross-sectional. Data collection was performed in the months of March and April 2016. Data collection was done by using a questionnaire of study on a large number of socioeconomic factors that are known to affect viability in the textile industry of Tshwane. Ethical clearance was obtained from Tshwane University of Technology prior to data collection. Eligible respondents were selected for the study by using a sampling frame obtained from Statistics South Africa. The sample population was selected by means of probability sampling. This was done by using stratification in which zones were used as a stratification criterion. All in all, data was collected from a stratified random sample of size 250 business operators in the textile industry of the City of Tshwane.

The capacity to render reliable and highly efficient emergency and rescue services is crucially important for metropolitan municipalities such as the CTMM to grow on a sustainable basis. Such capacity is also needed for fulfilling the routine needs and operational requirements of businesses that operate in the CTMM. To this end, the City of Tshwane needs to develop adequate capacity for rendering reliable and efficient emergency and rescue services by utilizing modern technology and highly innovative methods and strategies. Doing so requires drawing on examples set out by large municipalities such as New York, London and Tokyo. The City of Tshwane is the Capital City of South Africa and the seat of Government. As such, it is expected to render world-class emergency and rescue services to all inhabitants living and conducting business in the City. The City of Tshwane invests heavily on the management of municipal solid and liquid waste in order to ensure cleanliness in the general environment, and to minimize the spread of vector-born communicable diseases. The need to minimize the spread of communicable diseases poses risk to the City of Tshwane and its inhabitants. As such, the City invests on health and sanitation requirements as a means of minimizing risk to the health condition of its inhabitants. Since April 1994, the City of Tshwane has taken numerous steps by replacing traditional methods of waste management by modern methods of environmental management and sanitation. It has also made a huge investment to upgrade its infrastructural capacity by utilizing modern technological equipment and infrastructure over the past several years.

According to the South African Small Enterprises Development Agency (SEDA, 2016), the failure rate of newly established SMMEs that conduct business in the footwear and textile industry of Tshwane is above 30%. There is a shortage of studies that identify the key barriers to sustained growth and development in the footwear and textile industry of Tshwane. The study aims to fill the gap in the relevant literature by performing a secondary data analysis of valuable data sets that are freely available to the general public at Statistics South Africa.

The study by Buckley and Ghauri (2012) shows that the South African economy depends significantly on global macroeconomic conditions that affect the degree to which SMMEs grow on a sustainable basis. Since the early 1990s, SMMEs operating in the South African textile industry have been exposed to massive cheap imports from countries such as China, Bangladesh, Pakistan, India, Malaysia and Vietnam. The South African economy has since 1994 been faced with trials of reintegration into the global economy. To reach economic growth through competitiveness, employment generation and income redistribution, the growth of small businesses has been prioritized since post the apartheid error in the year 1995. The promotion and development of SMMEs is a critical policy focus area of South Africa, identified in 1995 with the White Paper on Small Business and most recently in the National Development Policy. The key rationale for the promotion of SMMEs is the potential this sector offers the economy in terms of its ability to create employment and automatically decrease unemployment rate in the country. A wide range of policies, policy programmes and initiatives have subsequently been initiated in this respect (Carr, 2013; Calvin, 2012).

3   OBJECTIVES OF STUDY

The objective of study is to identify factors that affect profitability in the textile industry in the City of Tshwane. The study aims to define the characteristics of small enterprises operating in the textile industry of the City of Tshwane, and estimate the percentage of businesses that are viable. It also aims to identify factors that are detrimental to sustained development and growth in the textile industry. One key aim

of the study was to assess the degree to which the textile industry of Tshwane competes to foreign competitors from countries and to propose suitable and feasible corrective actions that could aid small and medium-sized enterprises in Tshwane.

The study has the following specific objectives:

To identify and quantify factors that adversely affect SMMEs in the textile industry of Tshwane; and To identify entrepreneurial skills and other forms of support that could add value to the current capacity of entrepreneurs in the textile industry of Tshwane.

4   LITERATURE REVIEW

The purpose of the study is to identify and quantify key factors that are responsible for failure in small SMMEs operating in the central business district of Tshwane. The South African textile industry is highly competitive. There are major players from countries like China that import high quality textile products and sell their merchandise at cheap prices. Support of SMMMEs is crucial in the initial stages of the business. Guidance and technically equipping the business owners with the necessary skills as well as a mentorship relationship overlooking the early stages is essential. SMMEs struggle in the early stages of establishment because they have to deal with highly priced administrative costs Pangarkar (2007). In the midst of the varying factors that have been identified and specified as factors affecting viability, some remain unanimously mentioned by various authors. According to the SMME survey conducted by AfricaGrowth in 2012, the top two limiting factors affecting SMMEs are; firstly government taxes and regulation and the operating environment, these including employee labour costs as well as labour policies, this was highlighted due to the difficulties with employing people due to stringent labour laws that favour the employee and not the businesses.

According to Henrekson (2014), Edoho (2015), Marivate (2014), Khale (2015), Worku (2015) and Seeletese (2012), sustained growth and development in the textile industry of Tshwane is significantly affected by the following socioeconomic factors:

According to the World Economic Forum (2012) macroeconomic stability is defined as a national economy that has minimised vulnerability to external shocks, which in turn increases its prospects for sustained growth. Macroeconomic stability is said to behave as a buffer against currency and interest fluctuations in the global market. It is essential, yet an insufficient requirement for growth.

The Interim Discussion Paper, complied by Impact Trust regarding South African regulatory framework (2012) stipulated that all these elements are vital requisites for the viability and sustainability of SMMEs. These factors influence the start-up costs, as well as the transactional and day to day running of SMMEs. Insufficient focus is placed on these factors in developing countries. Poor legal outline tends to results in difficulty acquiring funding from banking sector. A firm legal framework needs to be a starting point when promoting SMMEs. This needs to be maintained throughout the lifetime of the businesses. In order for this to be coherently feasible, government is required to collaborate with the process ensuring that relevant regulatory policies are in place this is according to a report from the Department of Trade and Industry (2005). The Task Group of the Policy Board for Financial Services and Regulation (2001) argues that coordination from the government needs to filter through from national level to regional level; to address SMME needs in each area. This is because the SMMEs are government by local municipalities; the effectiveness of these municipalities has a direct impact of the success of the SMMEs. There is no room for operational incompetence in regional municipalities, which is close to impossible to achieve. Adding to these operational inefficiencies is the reality of corruption within the justice administration caused by political interference. It is crucial to have a favourable human resource environment, structured to promote SMME development. This kind of human resource environment needs to go hand in hand with supported entrepreneurship cultures arising from knowledge business operations and the economic impact thereof. This then reinforces the importance of skills training and education for SMME business owners. It is prudent for newly established SMMEs to collaborate with well-established business organisations as a means of acquiring skills development, training and education.

According to Marivate (2014), access to finance is a key cause of failure and bankruptcy in newly established SMMEs in the textile industry. Numerous surveys that have been conducted have reflected that, the SMMEs are of the view that it is rather problematic to gain access to funding in South Africa (Turner et al, 2008). It seems that the amount of training available as well as the finance support made available is crucial to the success of SMMEs. Respondents to the FinScope Small Business Survey (2010); cited that in terms of the nature of small businesses, they considered space to operate and competition as the biggest hinders of growth, access to finance was third on this list. This could be attributed to the fact that South Africa has a well-developed financial sector.

According to Seeletse (2012), a sizeable proportion of economically significant SMMEs cannot obtain finance from commercial banks due to failure to produce adequate collateral. Furthermore, it is often alleged that (i) many entrepreneurs or SMMEs that do not currently have access to funds would have the capability to use those funds productively if the funds were available; (ii) but due to structural characteristics, the formal financial system does not provide finance to such entities. Adding to this, Kim Abildgren, Peter Askjær Drejer and Andreas Kuchler (2013) argue that SMMEs who apply for finance through the banks experience a high rejection rate due to various barriers. Lack of awareness about funding opportunities provided by SEDA to the SMME sector of the textile industry of Tshwane is a major barrier. Lack of alignment between the needs of SMMEs and programmes of assistance that are available to SMMEs in the textile industry of Tshwane by institutions such as

SEDA and DTI is also a barrier. Meeting the requirements of a business loan, by adhering to business criteria is a key barrier. This is because most SMMEs are informal or un-registered. Banks require collateral.

Although the lack of financing is being cited as a constraint , South Africa has various programmes dedicated to funding as well as financing schemes. It appears that the problem lies in the awareness of these programmes, which is seemingly low (DTI, 2008). It can be inferred that the problem lies in the administration and regulation of these programmes.

There are characteristics within an SMME is structured that are said to contribute to the difficulties in funding, specifically for SMMEs, two of which have been stipulated below. Size of SMME: It is generally known that by virtue of being an SMME you become subjected to lower chances of financing compared to large organisations, this also applies in Tshwane. According to the World Bank Enterprise Survey 2008, some of the most important objective indicators of access are: actual use of credit products, only 59% of small and medium enterprises had any credit products as compared to 82% for large firms. Microenterprises are more likely to report access to finance as one of the top three obstacles to growth, are less likely to have a bank account, and less likely to have access to any of the credit products (loans, overdrafts or lines of credit). As firms grow larger, access becomes easier (Mengistae et al., 2010). Related to size, SMMEs tend to seek finance for relatively small amounts. The costs involved in the credit assessment and monitoring of a loan or investment make it disproportionately more expensive to provide funds to an SMME (Falkena et al., 2004). In most OECD countries, however, banks perceive SMME finance as an attractive line of business and have developed effective monitoring mechanisms as a result (OECD, 2006).

5   METHODS AND MATERIALS

The design of this study was descriptive and cross-sectional. It was descriptive because the aim of the study was to explain and describe factors that affect the degree of satisfaction of residents of the City of Tshwane on emergency and rescue services that are routinely provided to inhabitants of the City of Tshwane. The study was cross-sectional because data was collected from the 394 participants who took part in the study once only. According to Frank (2009), a descriptive study design is suitable for an exploratory study. The total number of businesses in the textile industry of Tshwane is more than 50, 000 according to the South African Chamber of Commerce and Industry (2016). The sample size of study was equal to 250. Stratified random sampling (Lakens, 2013) was used for selecting a random sample of size 250 SMMEs in the textile industry of Tshwane. A total of 250 eligible textile businesses were selected from the 5 geographical zones of the City of Tshwane (50 textile businesses were selected from each of the 5 geographical zones (central, east, west, north and south) of Tshwane.

The level of significance of study is fixed at the $\alpha = 0.05$ level of significance. The sample size of study is denoted by, and is determined using the formula shown below:

$$n = \frac{Z^2_{1-\frac{\alpha}{2}} \times P(1-P)}{d^2}$$

In the above expression, the following values of α and d were used:

$$\alpha = 0.05 = \text{level of significance}$$

$$Z_{1-\frac{\alpha}{2}} = Z_{1-\frac{0.05}{2}} = Z_{1-0.025} = Z_{0.975} = 1.96$$

= value of standard normal random variable at α = 0.05 level of significance

$P = 0.60$ (the percentage of start-up businesses in the textile industry of Tshwane that fail in less than 3 years of establishment according to Marivate (2014)

$$1 - P = 0.40$$

d is the margin of error = 0.05

The instrument used for data collection was a structured, pre-tested and validated questionnaire consisting of 37 indicators of viability in the textile industry. The questionnaire consisted of factors that affect profitability and long-term survival of SMMEs operating in the textile industry. Each of the 250 operators in the study had to provide answers to 37 questions related to viability in the textile industry. Measurements of perceptions were done by using a 5-point ordinal scale. Face validity was used for ensuring validity. The Cronbach Alpha test was used for ensuring reliability and internal consistency.

A briefing was provided the textile business operators who were selected for the study on the following topics:

· A brief description about the purpose of the study;

· A description of what participation will involve in terms of activities and duration;

· A statement indicating that participation in the study was voluntary, and that respondents were free to terminate the study at any time of their choice without having to explain the reason why;

· An assurance that responses obtained from respondents would be kept in confidence, and that analysis and reports would be made anonymous; and

· An offer to provide detailed information about the study upon completion of the study.

According to Frank (2009), a structured questionnaire is ideal for gathering information from respondents effectively without introducing bias. A questionnaire is highly beneficial in cases where all respondents of study understand the subject matter of study equally well. A questionnaire presents questions to respondents in a near identical manner. A questionnaire is an ideal tool for gathering data in quantitative studies. A structured questionnaire has the following benefits:

· Relatively economical;

· Less time consuming than conducting interviews;

· Very large samples can be taken;

· Can ensure anonymity;

· Contain questions for specific purposes;

· Existing questionnaires can be used or modified; and

· There are different techniques by which interaction with respondents can be conducted, namely, face-to-face, electronic and telephonic.

6   LIST OF VARIABLES OF STUDY

The questionnaire had a total of 37 questions. In Part 1 of the questionnaire, there were questions about the personal characteristics of textile business operators. In Part 2, there were questions about factors that are known to affect viability and profitability in the textile industry. Appendix A shows a copy of the questionnaire of study. The questionnaire was adapted from the questionnaire of study developed by Garenko and Bititci (2007) for conducting a similar study.

6.1   Dependent variable of study (Y)

A composite index was generated based on indicators of service quality. This was done by following the method introduced by (Bel, Fageda & Warner, 2010: 553-577). Accord-ingly, the dependent variable was defined as a dichotomous variable (a variable that can have 2 possible values only). Thus, each of the 250 textile businesses in the study was allocated a score for viability. The dependent variable of study (Y) had two possible values. These were viable or not viable. In symbols, the variable Y had two possible values:

$$Y = \begin{cases} 1 & if \; textile \; bu\sin ess \; is \; not \; viable \\ 0 & otherwise \end{cases}$$

$$X_1, X_2, \ldots, X_k$$

are independent or explanatory variables that affect viability (Y).

7   METHODS OF DATA ANALYSES

Quantitative methods of data collection and analyses are applicable in the study. Quantitative methods frequency tables, cross-tab analyses and logit analysis were used for performing statistical data analyses (Hosmer & Lemeshow, 2013: 141-142). Face validity was used for confirming valid-ity, whereas the Cronbach Alpha test was used for verifying reliability and internal consistency (Ritchie, Lewis, Nicholls & Ormston, 2013). The dependent variable of study is vi-ability of business. This is a dichotomous variable of study as it can only have 2 possible values (viable, or not viable). According to Hair, Black, Rabin and Anderson (2010), the following statistical methods of data analysis are applicable for conducting multivariate statistical data analyses in the proposed study:

Frequency tables for categorical variables of study Summary statistics for continuous variables of study Bar charts, pie charts and box plots Cross-tab analyses for pairs of categorical variables Logit and probit regression analysis (Hosmer & Lemeshow, 2013)

8   RESULTS OF DATA ANALYSES

Table 1 shows frequency proportions that indicate the general characteristics of the 250 participants of study. About 76% of textile businesses were viable, whereas about 24% of them were not viable. About 72% were actual owners, whereas about 28% were employed managers. About 30% had ages of 31 to 40 years of age. About 88% of operators were male, about 36% of operators were married, about 16% (matric level or less).

Table 2 shows frequency proportions for past experience on loan application and repayment. About 43% of textile businesses were in operation for 11 years or more. About 66% of business operators were educated in South Africa. About 54% of operators employed between 1 and 3 employees in their businesses. About 73% of business operators used textile products imported from outside South Africa in their businesses. About 75% of businesses had borrowed loan at least once for business operation in the past. About 27% of business operators had defaulted on loan repayment in the past. About 26% of business operators had experienced problems in the course of applying for loan from commercial banks in the past. About 29% of business operators had experienced problems in the course of applying for loan from microfinance institutions.

Table 3 shows frequency proportions for the ability of the 250 business operators to order textile merchandise in bulk on credit from suppliers. About 74% of textile businesses were capable of ordering textile merchandise in bulk from suppliers on credit. About 35% of business operators had experienced at least one robbery in the past. Thirty-eight percent of businesses used private security firms for ensuring safety and security at their businesses. Weekdays were peak sale time for about 85% of businesses. About 57% of businesses experienced peak sale during summer. Seventy-four percent of businesses had valid trade licenses. About 22% of business operators owned their business premises. .

Table 4 shows frequency proportions for attributes such as registration for VAT, payment of tax to SARS (South African Receiver of Revenue) on a regular basis, ability to draw up business plans, and ability to perform accounting and audit-related tasks. About 72% of textile businesses were registered for VAT. About 97% of businesses paid tax to SARS on a regular basis. About 61% could develop business plans. About 37% could make oral presentations of their businesses.

Table 5 shows frequency proportions for attributes such as satisfaction with the quality of municipal services provided to textile businesses by the City of Tshwane and awareness about assistance programmes provided to SMMEs by DTI and SEDA. It can be seen from the table that about 57% of textile businesses were satisfied with the quality of municipal services that were provided to them by the City of Tshwane. About 83% of businesses were aware of assistance programmes provided to SMMEs by DTI and SEDA. About 83% of businesses were aware of assistance programmes provided to SMMEs by DTI and SEDA. About 26% of business operators had actually attended at least one training session by DTI or SEDA. About 30% of businesses were started up with initial capitals of R50, 000 to R100, 000. About 24% of businesses had net monthly profits of R10, 000 to R50, 000.

Table 6 shows frequency proportions for attributes such as utilisation of a business partner and the frequency with which stock is ordered by the textile businesses in the study. About 43% of businesses were run in partnership. About 37% of businesses purchased stock once in 6 months. About 33% of businesses purchased stock many times per month.

Table 1. General characteristics of respondents (n=250)

Variable of study	Percentage
Viability of textile business	Viable: 189 (75.60%)
	Not viable: 61 (24.40%)
Status of operator	Owner: 179 (71.60%)
	Employed manager: 71 (28.40%)
Age category of respondents	20 or younger: 8 (3.20%)
	21 to 30: 44 (17.60%)
	31 to 40: 76 (30.40%)
	41 to 50: 78 (31.20%)
	51 or older: 44 (17.60%)
Gender of operator	Male: 219 (87.60%)
	Female: 31 (12.40%)
Highest level of education	Matric level or less: 40 (16.00%)
	Certificate: 42 (16.80%)
	Diploma: 100 (40.00%)
	Bachelor's degree: 52 (20.80%)
	Master's degree or above: 14 (6.40%)
Marital status	Single: 61 (24.40%)
	Married: 89 (35.60%)
	Divorced: 55 (22.00%)
	Widowed: 2 (0.80%)
	Living together: 43 (17.20%)
Nationality of operator	South African: 147 (58.80%)
	Foreigner: 103 (41.20%)

Table 2. Past experience of loan application and repayment (n=250)

Variable of study	Percentage
Duration of operation of textile business	5 years or less: 56 (22.40%)
	6 to 10 years: 87 (34.80%)
	11 years or more: 107 (42.80%)
Country where education was acquired	In South Africa: 166 (66.40%)
	Outside South Africa: 84 (33.60%)
Number of employees employed in business	None: 24 (9.60%)
	1 to 3: 134 (53.60%)
	4 to 6: 74 (29.60%)
	7 or more: 18 (7.20%)
Source of textile merchandise	Local producers: 67 (26.80%)
	Foreign producers: 183 (73.20%)
Experience of taking loan for business operation in the past	Yes: 187 (74.80%)
	No: 63 (25.20%)
Past experience of defaulting on loan repayment	Yes: 67 (26.80%)
	No: 183 (73.20%)
Past experience of difficulty in securing loan from commercial banks	Yes: 66 (26.40%)
	No: 184 (73.60%)
Past experience of difficulty in securing loan from microfinance institutions	Yes: 73 (29.20%)
	No: 177 (70.80%)

In Table 7, it can be seen that the viability of textile businesses is significantly associated with 12 variables. These 12 variables are: ability to make profit, ability to secure loan needed for business, ability to order merchandise in bulk on credit, access to foreign textile products, ability to sustain loan repayment, ability to secure loan from commercial banks, ability to secure loan from micro lenders, lengthy duration of business operation, ability to secure valid trade license, registration of textile business for VAT, South African nationality, and ability to conduct business with partners, in a decreasing order of strength. Table 8 shows odds ratios estimated from logit analysis. The table shows the top 3 most influential predictors of viability.

The percentage of overall correct classification for this procedure was equal to 79.11%. The P-value obtained from the Hosmer-Lemeshow goodness-of-fit test was equal to $0.1207 > 0.05$. This indicates that the fitted logistic regression model is fairly well reliable. The odds ratio of the variable "Ability to make profit" is equal to 3.59. This indicates that a business operator who is unable to make profit is 3.59 times as likely to be non-viable in comparison with another business operator who is capable of making profit. The odds ratio of the variable "Ability to secure loan needed for business" is 3.51. This indicates that a business operator who is unable to make profit is 3.51 times as likely to be non-viable in comparison with another business operator who is capable of making profit. The odds ratio of the variable

Table 3. Duration of operation of textile business (n=250)

Variable of study	Percentage
Ability to order textile merchandise in bulk on credit	Yes: 185 (74.00%)
	No: 65 (26.00%)
Past experience of at least one robbery	Yes: 87 (34.80%)
	No: 163 (65.20%)
Utilisation of private security services	Yes: 95 (38.00%)
	No: 155 (62.00%)
Time for more sales	Week days: 213 (85.20%)
	Weekends: 37 (14.80%)
Season for more sales	Autumn: 16 (6.40%)
	Spring: 24 (9.60%)
	Summer: 142 (56.80%)
	Winter: 68 (27.20%)
Possession of a valid trade license	Yes: 185 (74.00%)
	No: 65 (26.00%)
Renewal of trade license every year	Yes: 243 (97.20%)
	No: 7 (2.80%)
Ownership of premises used for business operation	Own: 54 (21.60%)
	Rent: 196 (78.40%)

Table 4. Registration for VAT by textile business (n=250)

Variable of study	Percentage
Registration for VAT	Yes: 179 (71.60%)
	No: 71 (28.40%)
Payment of tax to SARS on a regular basis	Yes: 243 (97.20%)
	No: 7 (2.80%)
Ability to draw up business plan	Good: 92 (36.80%)
	Above average: 31 (12.40%)
	Average: 29 (11.60%)
	Below average: 90 (36.00%)
	Poor: 8 (3.20%)
Ability to make oral presentations	Good: 35 (14.00%)
	Above average: 31 (12.40%)
	Average: 28 (11.20%)
	Below average: 120 (48.00%)
	Poor: 36 (14.40%)
Ability to network with business rivals and competitors	Good: 94 (37.60%)
	Above average: 30 (12.00%)
	Average: 38 (15.20%)
	Below average: 84 (33.60%)
	Poor: 4 (1.60%)
Assessment of accounting skills	Good: 76 (30.40%)
	Above average: 27 (10.80%)
	Average: 28 (11.20%)
	Below average: 83 (33.20%)
	Poor: 36 (14.40%)

"Ability to order merchandise in bulk on credit" is equal to 2.61. This indicates that a business operator who is unable to order merchandise in bulk on credit is 2.61 times as likely to be non-viable in comparison with another business operator who is capable of ordering merchandise in bulk on credit.

9   MAJOR FINDINGS OF STUDY

The study found that 75.60% of textile businesses were viable, whereas 24.40% of them were not viable. About 98% of businesses paid tax to SARS regularly. About 26% of entrepreneurs had received training from the South African National Department of Trade and Industry (DTI) or the Small Enterprise Development Agency (SEDA) at least once in the past. About 75% of businesses had applied for loans at least once in the past. About 27% of businesses had defaulted on loan repayments in the past. Results obtained from cross-tab analyses showed that the viability of textile businesses was significantly associated with the ability of business operators to make profit, ability to secure loan needed for business, ability to order merchandise in bulk on credit, access to foreign textile products, ability to sustain loan repayment, ability to secure loan from commercial banks, ability to secure loan from micro lenders, lengthy duration of business operation, ability to secure valid trade license, registration of textile business for VAT,

Table 5. Assessment of the quality of municipal services (n=250)

Variable of study	Percentage
Degree of satisfaction with municipal services provided to textile businesses	Good: 68 (27.20%)
	Above average: 24 (9.60%)
	Average: 50 (20.00%)
	Below average: 73 (29.20%)
	Poor: 35 (14.00%)
Awareness about assistance programmes to small businesses by DTI and SEDA	Yes: 207 (82.80%)
	No: 43 (17.20%)
Attendance of at least one training programme from DTI or SEDA	Yes: 66 (26.40%)
	No: 184 (73.60%)
Degree of satisfaction with the quality of assistance provided to SMMEs by DTI or SEDA	Good: 19 (7.60%)
	Above average: 7 (2.80%)
	Average: 35 (14.00%)
	Below average: 5 (2.00%)
	Poor: 0 (0.00%)
	Question not applicable: 184 (73.60%)
Start-up capital in Rand	R10, 000 or less: 20 (8.00%)
	R10, 001 to R50, 000: 44 (17.60%)
	R50, 001 to R100, 000: 76 (30.40%)
	R100, 001 to R200, 000: 72 (28.80%)
	More than R200, 000: 38 (15.20%)
Net monthly profit in Rand	R10, 000 or less: 40 (16.19%)
	R10, 001 to R50, 000: 59 (23.89%)
	R50, 001 to R100, 000: 56 (22.67%)
	R100, 001 to R200, 000: 22 (8.91%)
	More than R200, 000: 13 (5.26%)
	Question not applicable: 57 (23.08%)

Table 6. Assessment of the quality of municipal services (n=250)

Variable of study	Percentage
Utilisation of a business partner	Yes: 107 (42.80%)
	No: 143 (57.20%)
Number of times stock is purchased from suppliers	Many times a month: 82 (32.80%)
	Once a month: 66 (26.40%)
	Once in 6 months: 93 (37.20%)
	Once a year: 9 (3.60%)

Table 7. Results obtained from cross-tab analyses (n=250)

List of 12 variables significantly associated with viability of textile businesses	Chi-square value	P-value
Ability to make profit	241.5288	0.000***
Ability to secure loan needed for business	209.0432	0.000***
Ability to order merchandise in bulk on credit	190.7532	0.000***
Access to foreign textile products	182.6696	0.000***
Ability to sustain loan repayment	165.1378	0.000***
Ability to secure loan from commercial banks	143.8000	0.000***
Ability to secure loan from micro lenders	115.5299	0.000***
Lengthy duration of business operation	8.5840	0.014*
Ability to secure valid trade license	7.4678	0.006**
Registration of textile business for VAT	7.3889	0.007**
South African nationality	5.5412	0.019*
Ability to conduct business with partners	9.0498	0.003**

Legend: Significance of association at * $P<0.05$; ** $P<0.01$; *** $P<0.001$

Table 8. Results from logit analysis

Factors that affect viability	OR	P-value	95% C. I.
Profitability of business	3.59	0.000	(2.21, 6.74)
Ability to secure loan	3.51	0.000	(2.18, 6.63)
Ability to order merchandise on credit	2.61	0.000	(1.74, 4.86)

South African nationality, and the ability of business operators to conduct business with partners, in a decreasing order of strength. Results obtained from binary logistic regression analysis showed that the viability of textile businesses was significantly influenced by 3 predictor variables. These predictor variables were: ability to make profit, ability to secure loan needed for business operation, and ability to order merchandise in bulk on credit, in a decreasing order of strength.

The City of Tshwane to create an economically enabling environment for textile businesses should thrive. The study by Zhang (2010) has shown that there is a significant association between improved municipal service delivery and viability of textile businesses. Sustainability in SMMEs depends upon various socioeconomic and political factors such as effective leadership, sound planning, consultation with stakeholders, accountability, objectivity, fairness, motivation of employees, the availability of skills that are required for emergency and rescue operations, and the ability of municipalities to utilize modern technological applications and resources according to approved plans of action. Sound planning is a result of a thorough review of the relevant literature and empirical evidence obtained from previous similar situations in which emergency crises have been resolved efficiently and to the satisfaction of the communities affected adversely. Hadaya and Pellerin (2010: 477-504) have pointed out that monitoring and evaluation techniques are vital for ensuring efficiency in the management of emergency and rescue operations, and that consistency in the quality of service delivery is critical for the provision of satisfactory service delivery. Quality assurance is a result of consistent delivery of services over the past several years.Trust and past track record are significantly associated with each other. It is vital to maintain a solid track record of efficient service delivery in order to maintain the trust and confidence of residents, ratepayers and stakeholders in the various parts of the City of Tshwane.

10 RECOMMENDATIONS OF STUDY

Based on findings obtained from the study, the following recommendations are made to the South African National Department of Trade and Industry (DTI), the South African Small Business Development Agency (SEDA), the South African National Department of Higher Education and Training (DHET) and the South African Chamber of Commerce and Industry (SACCI) with a view to improve viability in SMMEs operating in the textile industry of the City of Tshwane. The recommendations have the potential for improving the plight of struggling SMMEs in the textile industry of the City of Tshwane.

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